

Message Text

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ACTION ARA-06

INFO OCT-01 ISO-00 SS-14 CIAE-00 DODE-00 PM-03 PA-01 PRS-01
INR-05 NSC-06 NSCE-00 L-01 H-01 /039 W
-----190836 105220 /13
R 190030Z FEB 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 437

C O N F I D E N T I A L MEXICO 2092

LIMDIS

FOR THE SECRETARY FROM AMBASSADOR JOVA

E.O. 11652: GDS
TAGS: PFOR, MX
SUBJ: LOPEZ PORTILLO'S VISIT TO U.S.

1. PRESIDENT LOPEZ PORTILLO AND HIS PARTY HAVE RETURNED TO MEXICO CITY EUPHORIC ABOUT VISIT TO WASHINGTON AND PARTICULARLY HIS DISCUSSIONS IN DEPTH WITH PRESIDENT CARTER WHICH HE FEELS HAVE LAID THE GROUNDWORK FOR A MUTUALLY PROFITABLE RELATIONSHIP BETWEEN THE TWO COUNTRIES. THE FACT THAT PRESIDENT CARTER OUTLINED "AN ACTION PROGRAM" WAS PARTICULARLY GRATIFYING. IN A PRIVATE CONVERSATION HE CONTRASTED THIS WITH HIS SEPTEMBER MEETING WITH FORMER PRESIDENT FORD WHICH, HOWEVER PLEASANT, WAS INCONCLUSIVE AS THE PRESIDENT, AFTER LISTENING TO JLP'S EXPOSITION, MERELY SUGGESTED THAT HE MAKE THE SAME POINTS TO HIS CABINET MEMBERS AND OTHER ASSOCIATES.

2. LOPEZ PORTILLO HAS ALREADY ORGANIZED A WORKING GROUP WHICH COMMENCED MEETING THIS MORNING TO ANALYZE THE VISIT AND TO PREPARE POSITIONS FOR REPLY TO PRESIDENT CARTER'S LETTER WHEN IT IS RECEIVED.

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3. I WAS ALSO PRESENT FOR PRESIDENT LOPEZ PORTILLO'S MEETING WITH PRIVATE BANKERS AND INDUSTRIALISTS BOTH IN WASHINGTON AND CHICAGO. WHILE HE WAS SUBJECTED TO SEARCHING QUESTIONS, PARTICULARLY IN CHICAGO, THE PRESIDENT HANDLED HIMSELF WELL AND CAME AWAY FROM BOTH MEETINGS CONVINCED THAT HE HAD IMPROVED THE PROSPECTS FOR FUTURE FOREIGN PRIVATE INVESTMENT IN MEXICO.

4. I WAS NOT PRESENT FOR AN INTERVIEW WITH THE IMF OFFICIALS BUT WAS PRESENT AT HIS MEETING WITH MCNAMARA. WHILE LOPEZ PORTILLO STILL FEELS THAT THE IMF ATTITUDES AND "FORMULAS" ARE TOO RESTRICTIVE AND NOT APPROPRIATE FOR DEVELOPING COUNTRIES UNDER PRESENT WORLD CONDITIONS, HE FELT HIS TALK WITH MCNAMARA WAS VERY UPBEAT. WHILE MCNAMARA STRESSED THE NEED TO KEEP THE PIPELINE FILLED WITH PROJECTS IN ORDER TO ENSURE A CONTINUED FLOW OF LOANS, HE ALSO STRESSED THAT MEXICO'S BASIC PROBLEMS WERE DEEPER AND WOULD REQUIRE RESTRUCTURING THE MEXICAN ECONOMY, INCREASING PUBLIC SAVINGS, RAISING THE EARNINGS OF THE PARASTATAL COMPANIES, SHIFTING PRIORITIES, ETC. MCNAMARA WARNED THAT UNLESS THERE STEPS WERE TAKEN, THE "MIRACLES" JLP HAD PEROFRMD ON SHORT-TERM FINANCIAL CRISIS HANDLING WOULD BE FOR NAUGHT. LOPEZ PORTILLO ASSURED HIM THAT FOR FIRST TIME, GOM WAS WILLING TO BEGIN FACING ITS OWN DEEPER LONG-TERM PROBLEMS.

5. IN ALL HIS CONVERSATIONS AND STATEMENTS, LOPEZ PORTILLO FOLLOWED THE SAME LINE THAT HE DID IN HIS TALKS WITH PRESIDENT CARTER STRESSING THE NEED TO TAKE A "GLOBAL PACKAGE" APPROACH TO MEXICO'S PROBLEMS, INSISTING THAT FINANCING WAS ONLY A PALLIATIVE UNLESS IT WERE LINKED TO INCREASED ACCESS TO AMERICAN MARKETS TO CORRECT THE IMBALANCE OF TRADE AND INCREASED PRODUCTIVITY, WHICH IN TURN WOULD LEAD TO JOBS AND HENCE DIMINISH BOTH THE NARCOTICS AND ILLEGAL PROBLEMS. HE SPOKE THE SAME WAY ON TELEVISION ON RETURNING TO MEXICO LAST NIGHT.
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6. THE VISIT HAS BEEN ENTHUSIASTICALLY RECEIVED BY MEXICAN PUBLIC OPINION.

7. COMMENT: THERE IS NO QUESTIION THAT THIS TRIP WAS A VERY SUCCESSFUL ON. IT HAS STRENGTHENED THE PRESIDENT'S CONFIDENCE IN HIMSELF. UNDOUBTEDLY THIS DISPLAY OF BILATERAL WARMTH AND COOPERATION SHOULD REINFORCE MEXICAN IMAGE WITH THE INTERNATIONAL FINANCING INSTITUTIONS AND WITH THE COMMERCIAL BANKS. THE PROSPECT OF A BILATERAL WORKING GROUP OR COMMISSION AT THE UNDERSECRETARY LEVEL BUT UNDER THE PERSONAL SUPERVISIONS OF BOTH THE PRESIDENTS SHOULD HELP TO OVERCOME THE INERTIA OF BUREAUCRACIES ON BOTH SIDES OF THE BORDER. MY EXPERIENCE HAS BEEN THAT IT IS PRECISELY IN THE FOLLOW-UP OF PRESIDENTIAL VISITS THAT THE DISAPPOINTMENTS ARE APT TO OCCUR. IN THIS CASE ALSO IT IS ONLY PRUDENT TO FORSEE POSSIBLE FUTURE PROBLEMS, PARTICULARLY AS REGARDS IMMEDIATE FORWARD MOVEMENT.

8. FOR ONE THING, WE SHOULD RECOGNIZE THAT LOPEZ PORTILLO'S REPEATED PITCH FOR "EQUITABLE" TREATMENT AS REGARDS EXPORTS TO THE USA IS IN EFFECT A PLEA FOR "SPECIAL" TREATMENT. TO SUPPORT THIS PLEA, MEXICANS WILL USE THE ARGUMENT THAT NEIGHBORING STATES ARE ENTITLED TO GO BEYOND THE MFN PROVISIONS OF GATT. LOPEZ PORTILLO'S REQUEST FOR A "GLOBAL" FOR "PACKAGE" APPROACH REFERRED TO MEXICO'S INTERNAL PROBLEMS AND SHOULD IN NO SENSE BE INTERPETED AS MEANING THAT HE FELT THAT MEXICO'S TRADE PROBLEMS MIGHT BEST BE SOLVED "ON A GLOBLA I.E. WORLD-WIDE BASIS". LOPEZ PORTILLO AFTER THE MEETING WENT TO SOME PAINS TO STRESS THAT WHAT HE IS SEEKING FROM US ARE IMMEDIATE OR AT LEAST SHORT-TERM STEPS TO REDRESS MEXICO'S TRADE IMBALANCE; WHILE HE RECOGNIZED THAT WORLDWIDE SOLUTIONS MAY BE EFFECTIVE IN THE LONG RUN BUT DO NOT NECESSARILY PROVIDE RELIEF TO THE SPECIFIC PROBLEMS OF INDIVIDUAL

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COUNTRIES.

9. WHILE IT WILL BE DIFFICULT FOR THE USG TO GIVE LOPEZ PORTILLO THE "SPECIAL" TREATMENT HE HAS ASKED FOR, I BELIEVE WE SHOULD MAKE EVERY EFFORT TO FIND THE NECESSARY FLEXIBILITY TO PROVIDE SOME MEASURE OF HELP. IF WE ARE ABLE TO DO THIS, WE CAN MORE REALISTICALLY EXPECT THEM TO HEED OUR ADVICE THAT MEXICO JOIN GATT AND TAKE FULLER ADVANTAGE OF THE POTENTIAL BENEFITS HAD THROUGH MORE VIGOROUS EXPLOITATION OF THE G.S.P.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, CHIEF OF STATE VISITS
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Feb-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MEXICO02092
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770059-1090
Format: TEL
From: MEXICO
Handling Restrictions:
Image Path:
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Legacy Key: link1977/newtext/t19770225/aaaaavml.tel
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Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 1a5ef2c3-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3274913
Secure: OPEN
Status: NATIVE
Subject: LOPEZ PORTILLO'S VISIT TO U.S.
TAGS: PFOR, MX, (LOPEZ PORTILLO, JOSE)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1a5ef2c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009